

OUTLINE: Spanish Economic Crisis

1. Spain faces an economic crisis and can be expected to appeal to the US for increased financial aid, within the framework of the base agreement.
- II. Background: Spain's economy showed slow improvement in 1951-52, as a result of bumper crops and US loans. In the summer of 1953, however, a severe drought had two serious effects:
 - i) in agriculture, the government was forced to import a million tons of wheat, at a cost greater than the total US 85 million dollars granted as 1954 aid to Spain;
 - ii) in industry, electric power was severely cut, thus leaving many workers, already barely able to subsist, even worse off.In addition to this, the winter of 1953-54 saw frost damage to Spain's citrus crop, thereby cutting export revenue by 30 million dollars.
- III. Present situation: These events have badly hurt the governments program of improved economic conditions. In addition, Spain now faces inflationary pressures which will be increased by the base construction program. As an added complication, the Spanish public believes that US economic aid is to be much larger than is the fact.
- IV. Conclusion: The Spanish Minister of Commerce, who will arrive in Washington on 4 April 54, will raise these economic problems and request US assistance.

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